

Message Text

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46

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 ABF-01 FS-01 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-02 H-02 PRS-01 PA-01 DODE-00

/082 W

----- 032877

R 142035Z MAY 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9243

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 3808

E. O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: CRUZEIRO DEVALUATION

REF: BRASILIA 2787

1. THE CENTRAL BANK HAS ANNOUNCED, EFFECTIVE MAY 14, 1975, THE FIFTH DEVALUATION OF THE CRUZEIRO THIS YEAR. THE LATEST CHANGE OF 1.53 PERCENT BRINGS THE CUMULATIVE DEVALUATION FOR THE YEAR TO 7.16 PERCZNT. NEW RATES ARE CR\$7,925 PER US DOLLAR FOR BUY AND CR\$7,975 FOR US DOLLAR FOR SELL.

2. COMMNET: BY THIS TIME LAST YEAR, THE CRUZEIRO HAD ONLY BEEN DEVALUED THREE TIMES, FOR A CUMULATIVE CHANGE OF 5.42 PERCENT. ON THE OTHER HAND, INFLATION LAST YEAR WAS CONSIDERABLY HIGHER THAN IT HAS BEEN THIS YEAR. AS MEASURED BY THE GUANAARA COST-OF-LIVING
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INDEX, INFLATION THROUGH THE END OF APRIL 1974 WAS

1611 PERCENT AS OPPOSED TO AN INFLATION RATE OF
8.9 PERCENT FOR JANUARY/APRIL 1975. THE DE-
VALUATION OF THE CRUZEIRO IS PARTLY A FUNCTION
OF THE DIFFERENCE IN INFLATION RATES BETWEEN BRAZIL
AND ITS MAJOR TRADING PARTNERS. SINCE INFLATION,
ON THE AVERAGE, IN THESE OTHER COUNTRIES THIS YEAR
IS NOT ANY HIGHER THAN IT WAS LAST YEAR WHILE IN
D
BRAZIL IT HAS BEEN CONSIDERABLY LOWER, IT APPEARS
FROM THE CUMULATIVE DEPRECIATION ANNOUNCED SO FAC
THAT THE MONETARY AUTHORITIES HAVE INCREASED THE
SPEED OF DEVALUATIONS IN AN EFFORT, NO DOUBT, TO
HELP THE BALANCE OF PAYMENTS SITUATION.
CRIMMINS

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NNN

Message Attributes

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Margaret P. Grafeld
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